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OCT 31 1945

MEMORANDUM FOR THE PRESIDENT

Subject: Organization of Intelligence Activities in the Government

Within the past few months, with your approval, a number of steps have been taken to readjust the Government's intelligence activities to a post-war basis and to establish within the normal framework of the Government an effective intelligence operation. These steps have been consistent with a plan for the post-war organization of intelligence which has resulted from several years of study by staff of the Bureau of the Budget. The basic elements of that plan have been discussed with you and were set forth briefly in the memoranda transmitting the recommendations of Mr. Snyder, Judge Rosenman, and myself on the disposition of the Office of Strategic Services which you approved through Executive Order No. 9621 of September 20.

Attached is our complete report of recommendations in this field. This memorandum summarizes the recommendations of the report and progress made to date.

A Basis for the Post-war Organization of Intelligence

It is commonly accepted that, despite a continuous improvement during the war and some individual instances of successful performance, total performance in intelligence has not been on a par with that of some other nations. My staff has endeavored to determine the administrative reasons for this in order that we might learn from the mistakes of the past in building for the future.

Attached to this memorandum is a report resulting from our studies. It reviews the Government's prewar and wartime intelligence activities and develops conclusions and recommendations. For your convenience, there follows a summary of the principal findings and conclusions of the report.

Summary of findings. The principal weakness has been the inadequacy of the intelligence operations of the departments concerned, indeed the lack of any intelligence operation in the State Department. Inadequate operations have resulted in failure to anticipate intelligence needs, in failure to recognize trends, in lack of perspective, and in inadequate pooling of intelligence except on the basis of mutual exchange of individual reports.

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Before the war, and to a considerable extent still, there has been an overemphasis on security intelligence, i.e., intelligence which is concerned with unfriendly or "dangerous" individuals either at home or abroad. The overemphasis on this kind of intelligence was largely responsible for our failure to develop early enough the type of organization necessary to produce really basic intelligence. Further, the continued placement of the security intelligence operation within the same units responsible for more basic intelligence has caused many of our estimates to be overweighted with security considerations and has caused us too often to be on guard against the least of our dangers.

Our wartime expansion was not in accord with any prior plan, nor was there any machinery through which coordination could be achieved. The freedom of funds enjoyed by the departments during the war has not been conducive to the development of a Government-wide integrated program nor has much leadership toward this and been possible during the war because of the fear of interrupting a vital service. Such attempts as have been made, including those undertaken by the Joint Chiefs of Staff, have resulted in ad hoc arrangements to further cooperation rather than to secure real coordination.

Throughout all of our study the newness of intelligence as an operation on anything approaching its present scale was apparent. There still is a widespread misunderstanding of what intelligence is, how it is produced, and in what way it relates to and serves the action and policy-making people. For example, many persons whose active participation in developing an effective post-war operation is essential are still thinking narrowly in terms of spies and intrigues, in terms of current developments and the latest news, or in terms, solely, of the development of new or special sources of information.

Summary of conclusions. The report develops, from an analysis of these weaknesses, four major conclusions and two of secondary importance which are in effect the elements of a plan for post-war organization.

1. Our expanded requirements for intelligence will require more widespread understanding among Government officials and agencies of what intelligence is and how it is produced, and a more widespread participation in the development and implementation of plans for improved operation.
2. The principal intelligence operations of the Government should be organized at the point where decision is made or action taken, i.e., at the departmental, or lower, level and not within any single central agency. Each department (or subdivision of a department) which has important responsibilities in international matters or which has

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responsibilities for providing the public with information about foreign countries should provide for a competent foreign intelligence operation.

3. The basic intelligence operation in each department should be organized apart from the security or "counter" intelligence operation serving internal security purposes, except for the mutual exchange of highly summarized and significant intelligence.
4. To ensure optimum results from the departmental intelligence and security operations, however, integrated Government-wide programs should be developed under the leadership of the State Department, through the creation of two interdepartmental committees, one dealing with basic intelligence in general (political, economic, military, sociological, geographic, etc.) and the other with security and security intelligence.

Of a less pressing and longer-range nature are the following two conclusions:

5. Some high-level intelligence is needed to guide decisions made at a level above the departments themselves. The State Department should serve as the principal agency for the development or procurement of such intelligence. The President, however, may find necessary an independent research staff to serve his own needs. Should this be found desirable, the research staff should be small and be concerned primarily with bringing together intelligence available in all departments to fulfill a particular need.
6. There may be some need to centralize under the direction of the interdepartmental groups organized under the leadership of the Secretary of State certain operations which are common to all agencies or which for policy reasons may best be performed centrally. The determination of the kind of central operation which will be needed can await study by the central coordinating body provided for in 4, above. In general, however, no operation should be undertaken centrally which can be performed satisfactorily at the departmental level.

Progress in Readjusting to Post-war Organization

The principal steps already taken toward achieving a post-war organization based on the conclusions outlined above are the following:

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1. Of greatest importance in strengthening our intelligence for the post-war period, and consistent with the conclusions that the principal intelligence operations of the Government should be conducted within the departments rather than in a central agency, was the establishment of an Office of Research and Intelligence in the State Department. The importance of this step was stressed in the Bureau of the Budget's report to Secretary Byrnes of last summer. On September 28 the Department announced the appointment of Colonel Alfred McCormack as Special Assistant to the Secretary in charge of Research and Intelligence.
2. On September 20, through Executive Order No. 9621, the Research and Analysis Branch and related non-subservient activities of the Office of Strategic Services were transferred (effective October 1) to an Interim Research and Intelligence Service reporting to Colonel McCormack in the State Department. The State Department is currently preparing a supplemental budget for the absorption of the Interim Service, after considerable readjustment and curtailment, into the permanent Department. The Office in the State Department was thus provided with a going and competent research staff.
3. A small part of the Foreign Economic Administration will be transferred to the State Department in accordance with Executive Order No. 9630 of September 27. The Bureau of the Budget is currently working with the State Department in preparing for absorption of the transferred activities.
4. On September 20, coincident with the public announcement of the OSS transfer, you directed Secretary Byrnes to assume the leadership in developing an integrated Government-wide intelligence program through the creation of interdepartmental committees to coordinate the intelligence operations within the various departments. The immediate problems of building his own facilities and of assembling a staff have delayed action on this matter. Staff of the Bureau of the Budget is currently working with the State Department to assist in organizing these groups and in developing an orderly procedure.

Steps Currently Being Planned

The desirability of effecting a separation of security and security intelligence from basic intelligence will necessitate the organization of two committees in the State Department. It is possible that the State Department will request your approval of an additional directive to the departments concerned to clarify the exact responsibilities placed on the Secretary of State in your previous public letter.

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The necessity to secure a more widespread understanding of intelligence and of the principles on which a strong post-war organization should be based, not only among Government officials but in the Congress, is still a paramount problem. During the current period of transition from wartime to post-war operation, it has been difficult to accomplish as much as is desirable toward this objective because of the variety of suggestions for post-war organization currently being considered and advocated. The letters which you made public to Secretary Byrnes and General Donovan have apparently not yet made it sufficiently clear that we are not going back to our pre-1939 situation but are moving in accordance with a plan to develop a more effective program for the future. Within the limitations of available staff, the Bureau of the Budget has endeavored to keep in constant touch with planning now under way in the various departments. The interdepartmental groups which will be brought together under the State Department will accomplish a great deal. Meanwhile, however, the Bureau of the Budget will intensify its activities. Among other things, we intend to give appropriate distribution to the attached report.

Action Recommended

With your approval, the specific additional proposals which I shall recommend from time to time relating to the organization of intelligence and security activities will conform to the general plan outlined in this memorandum and in the attached report.

(Signed) HAROLD D. SMITH

Director

Attachment

H. D. Smith *Hoelcher* *PHC*
Schwarzwald:neb - 10-25-45

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Plan for Organizing and Staffing
INTERDEPARTMENTAL COORDINATING COMMITTEES
INTELLIGENCE AND SECURITY

| INTERDEPARTMENTAL COORDINATING COMMITTEES | | | |
|---|----------|-----------------------|--|
| SECURITY | | INTELLIGENCE | |
| Secretary of State | Chairman | Secretary of State | |
| Secretary of War | | Secretary of War | |
| Secretary of Navy | | Secretary of Navy | |
| Secretary of Treasury | | Secretary of Commerce | |
| Attorney General | | | |

| SECRETARIAT |
|---|
| Executive Secretary provided by the Dept. of State Other staff provided by the Dept. of State supplemented by individuals made available on a full-time basis as determined by the appropriate Committee. |

| VARIOUS SUB-COMMITTEES AS DETERMINED BY THE APPROPRIATE COMMITTEE | | | |
|--|---|--|--|
| SECURITY OR SECURITY (COUNTER) INTELLIGENCE SUBJECTS OR KINDS OF OPERATION | SPECIAL OR COMMON SUBJECTS OR KINDS OF OPERATION | GENERAL INTELLIGENCE SUBJECTS OR KINDS OF OPERATION | |
| <p>Chairmen provided from the Secretariat Secretarial services provided by the Secretariat Members of the sub-committees designated by all departments of interest, either as users or producers, in the subject or kind of operation with which the sub-committee is concerned. Departmental participation will be as determined upon, and on the invitation of, the appropriate Committee.</p> | | | |

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Functional Organization Chart INTERDEPARTMENTAL COORDINATING COMMITTEES INTELLIGENCE AND SECURITY

INTERDEPARTMENTAL INTELLIGENCE COORDINATING COMMITTEE INTERDEPARTMENTAL SECURITY COORDINATING COMMITTEE

Establish criteria and policies for the organization of the Government's intelligence and security activities
Formulate specific operating plans for the conduct of the Government's intelligence and security activities to insure that they fulfill all national requirements including those of any department; that they utilize to the fullest all available resources within or without the Government; and that any unnecessary overlap or duplication is eliminated
Establish operating plans in readiness for future use to meet changing conditions

SECRETARIAT

Plan the Committee's programs and serve as the executive carrying them out
Direct and coordinate the activities of the sub-committees and serve as their chairman
Present recommendations and plans to the committees for decision
Develop the document procedure and all other procedures of the committee or sub-committees
Provide the Committees and sub-committees with secretarial service
Maintain the document files including all correspondence, agendas, minutes, study sheets, decisions, directives, operating plans and manuals
Provide other necessary services

SUB COMMITTEES IN VARIOUS SUBJECTS OR KINDS OF OPERATION AS DETERMINED BY THE APPROPRIATE COMMITTEE

Within the assigned subject or kind of operation assigned
Develop a detailed statement in compiled and indexed form of the national requirements including those of any department of interest
Determine the means, in terms of actual operations for fulfilling those requirements
Develop, for submission to the appropriate Committee, proposed specific operating plans
Develop, for submission to the appropriate Committee, proposed plans, legislation and other instruments for the adjustment of operations in the event of emergency or other changed conditions
Serve as a continuing group responsible for developing a coordinated program for reviewing its adequacy and economy of operation

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